



STATE OF MICHIGAN
OFFICE OF THE GOVERNOR
LANSING

JOHN D. CHERRY, JR.
LT. GOVERNOR

No. 2004 — 9

TO: Department Directors and Autonomous Agency Heads

FROM: Governor Jennifer M. Granholm

DATE: October 27, 2004

SUBJECT: **Restrictions on Creation of New Positions, Hiring of Employees and Acquisition of Contractual Services**

Due to continuing state budget constraints, I am issuing this Executive Directive, which has as its objective continued across-the-board expenditure controls by agencies within the Executive Branch of state government. While recognizing that resources are already scarce, and that greater efficiencies in the administrative operations of state departments and agencies already have been achieved, continuing efforts to reduce costs and curtail spending remain essential. Accordingly, I direct:

I. RESTRICTIONS ON THE CREATION OF NEW POSITIONS

A. State departments and agencies are prohibited from creating any new classified civil service position above classification level 12, unless a specific written exception is granted by the State Budget Director. This prohibition applies to any new position, including a position subsequently filled from within the department or agency, but does not apply to the reallocation of an existing position to a new classification level.

B. The State Budget Director may grant an exception under this section if the Director believes that creation of the new position will produce more efficient and timely performance by the state department or agency, eliminate unnecessary functions, increase the ability of the state to receive and expend federal funds, or that failure to create the new position will result in rendering a state department or agency unable to deliver basic services or result in the loss of revenue to the state. The State Budget Director shall consult with the Office of the

State Employer regarding the programmatic implications of any proposed new position.

C. To request a new position, a department director or agency head shall submit to the State Budget Office and the Office of the State Employer, in the manner determined by the State Budget Office, all of the following:

1. A brief description of the new position and the rationale for the creation of the new position, including whether the position is mandated by state or federal law.
2. The proposed class and level of the new position.
3. The permanent or limited-term status of the position.
4. The assigned duties for the position.
5. Any positions to be abolished if the new position is created.
6. An organization chart including position names and levels; a current chart of each affected area; a chart with proposed changes; and a summary organization chart of the department or agency indicating the location of the affected area.
7. A statement indicating whether the establishment of the position requires any budgetary adjustments.

II. RESTRICTIONS ON HIRING OF STATE EMPLOYEES

A. For the remainder of the fiscal year ending September 30, 2005, state departments and autonomous agencies are prohibited from hiring any new full-time or part-time state classified civil service employees and prohibited from filling any vacant state classified civil service position, except as provided under Section II.B. The restrictions imposed under this paragraph do not apply to internal transfers of state classified civil service employees or unclassified employees from one position to another within a department, internal promotions, recalls from any seasonal layoffs, or returns from a leave of absence other than return from a waived rights leave.

B. For state classified civil service positions above Level 12, the State Budget Director may grant an exception to the restrictions imposed under Section II.A when the State Budget Director believes that the restrictions will result in any of the following:

1. Rendering a state department or agency unable to deliver basic services.
2. Cause a loss of revenue to the state.

3. Result in the inability of the state to receive federal funds.
4. Necessitate additional expenditures that may exceed any savings from maintaining a vacancy.

C. A department or agency need not seek an exception from the State Budget Director to the restrictions imposed under Section II.A for positions in the classified civil service below Level 13 if the department director or head of the autonomous agency certifies to the State Budget Director that filling the vacancy will not result in the department or agency exceeding any active employee base number established for the department or agency by the State Budget Director and that failure to fill the position will result in any of the following:

1. Rendering the department or agency unable to deliver basic services.
2. Cause a loss of revenue to the state.
3. Result in the inability of the state to receive federal funds.
4. Necessitate additional expenditures that exceed any savings from maintaining a vacancy.

III. RESTRICTIONS ON ACQUISITION OF CONTRACTUAL SERVICES

A. For the remainder of the fiscal year ending September 30, 2005, contracts for services financed with state funds should be deferred and limited to only the most essential requirements. Examples of essential requirements include any of the following:

1. A contract necessary to comply with a legal mandate or court order or for law enforcement purposes.
2. A contract necessary to protect the health or safety of Michigan citizens or visitors or to assist other states in similar circumstances.
3. A contract necessary to provide for the basic requirements of residents of state institutions or facilities, including, but not limited to, food, clothing, and prescription drugs.
4. A contract essential to the continued functioning of a legally-mandated program or activity of state government.
5. A contract necessary to produce budgetary savings or to increase state revenues, including protecting existing federal funds or securing additional federal funds.
6. A contract necessary to comply with federal requirements.

B. Departments and agencies shall not request and the Department of Management and Budget shall not approve any contract for personal services when the person seeking to contract with the state or a department, agency, or other political subdivision of this state is employed within state government either as an employee in the state classified civil service or as an unclassified employee.

C. Workforce stability and continuity are critical to a knowledgeable state classified civil service workforce and to the provision of efficient and effective services for Michigan taxpayers. The use of temporary contract workers as long-term replacements for state classified civil service employees is inconsistent with the goal of fostering a highly qualified and dedicated state classified civil service workforce. Accordingly, in addition to any existing assignment duration limitation in existing contracts for the use of temporary employee services or use of contractual personal services, each of the following shall apply to the use of temporary employee services and contracts for personal services by departments and agencies:

1. Each temporary employee service contract assignment for clerical or administrative support must be reported to the Office of the State Employer.

2. The Department of Management and Budget shall not approve any temporary employee service or personal services contract for clerical or administrative support if the Office of the State Employer objects.

3. No temporary employee service or personal service contract assignment clerical or administrative support assignment may extend beyond 480 hours without the prior approval of the Office of the State Employer.

4. The Department of Management and Budget shall not approve any temporary employee service contract or personal services contract for clerical or administrative support authorizing the provision of services in excess of 480 hours per assignment without the prior approval of the Office of the State Employer.

D. As used in Section III.C, "assignment" means the particular job or set of duties performed or to be performed by an individual at a work location on a shift.

E. Nothing in Section III.C shall be construed to alter or modify any Department of Civil Service rule or regulation.

F. The Office of the State Employer and the Department of Management and Budget shall take all action necessary to enforce the requirements of Section III.C, consistent with Michigan law, including, but not limited to, changes to the Administrative Guide to State Government.

IV. MISCELLANEOUS

A. The restrictions established under this Directive shall apply regardless of the fund source financing a position or a contract.

B. The restrictions established under this Directive apply both to new contracts and to the amendment, extension, renewal, or reauthorization of existing contracts.

C. In complying with this Directive, department directors and heads of autonomous agencies should regularly review and implement measures to restrict whenever feasible any contracting for services using a procurement card issued pursuant to procedures established under Section 0510.03 of the Administrative Guide to State Government.

D. The Department of Management and Budget ("DMB") and the State Budget Office shall regularly review department and agency expenditures. If the Director of the DMB determines that a department or agency has failed to demonstrate significant and continuing progress in meeting the objectives of this Directive, the Department of Management and Budget shall rescind procurement authority delegated to the department or agency, including, but not limited to, delegation authorized under Section 261 of the Management and Budget Act, 1984 PA 431, MCL 18.1261, or under Sections 0510.01 or 0510.12 of the Administrative Guide to State Government. The State Budget Director may recommend to the Director of the Department of Management and Budget rescission of delegated purchasing authority under this paragraph.

E. The Department of Management and Budget and its Office of Acquisition Services shall make every effort to further reduce total state contractual expenditures for services in the best interests of this state. Other departments and agencies shall provide the Department of Management and Budget full cooperation in this effort.

F. While this Directive applies to contracts for services, restrictions on the purchase of non-essential supplies, materials, equipment, printing, or other products, are imposed under Executive Directive 2004-8.

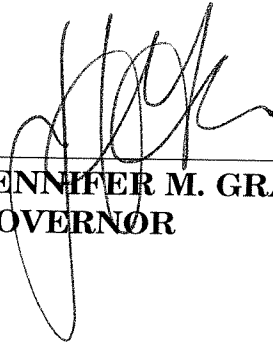
G. To assist in complying with this Directive while facilitating the delivery of basic services, departments and agencies are encouraged to develop creative and innovative ways to reduce their need for additional resources and services through collaborative approaches with other departments and agencies such as merging of common functions, sharing personnel, and developing partnerships to augment existing resources and reduce costs to taxpayers. Recommendations for such initiatives shall be submitted to the Office of the State Employer and the State Budget Director for review and potential implementation, subject to applicable laws and Department of Civil Service rules and regulations.

H. This Directive supersedes Executive Directive 1991-14 and the Memorandum to Cabinet Members from the Governor's Director of State Government Affairs regarding the establishment of new positions dated July 20, 2000.

I. Executive Directives 1991-14, 1995-2, 2003-5, and 2003-8 are rescinded in their entirety.

G. This Directive is effective immediately and remains in effect through September 30, 2005.

Your assistance and fiscally responsible action, and the continued hard work of state employees in this time of continuing fiscal constraints, are greatly appreciated.



JENNIFER M. GRANHOLM
GOVERNOR